

ELAINE'S NEWS & VIEWS

OCT 2017

I was inspired today reading about an advisor who has worked for Manulife for over 61 years and at age 91 has no plans to retire. I don't think I will last that long, but I'm still enjoying working with my clients, my partner/son and having our new four-legged furry greeter, Holly, with me all day. It's been a great year with many of our clients' family members and friends joining as new clients. Thank you for your referrals and the trust and confidence you have shown in us.

Several people have expressed concern that their children won't be prepared to handle their inheritance or aren't preparing now for their own retirement and they want me to re-run a **financial education course** that I have put on several times over the last 20 yrs. If you have a relative (age 18 at a minimum) who might benefit from 3 hrs to talk about how investing works and how it is never too early to start preparing for your own retirement, give me a call or drop me an email. The seminar will be on Sat Nov 18 from 10 – 1. The location will be determined by how many register. Couples are encouraged to attend together.

It's been quite a summer. As I write this:

- the Canadian market is still lower than it was on Dec 31, 2016, and the U.S. main stock market hit its 42nd new all-time high this year
- Canadian banks have become more reasonably priced.
- Housing prices in Toronto and the greater GTA have fallen significantly (about 22%) since Apr, but haven't fallen as far as many expect.
- The Canadian economy has been doing better (lower unemployment). So the Bank of Canada raised interest rates again, and the Canadian dollar rose quickly up to almost \$0.83 which hurt foreign investment values before retreating to \$0.81. The many economists and fund managers, whom we have heard speak recently, see the Canadian dollar retreating somewhat (to \$0.77-\$0.80) and see no signs of a recession coming in the U.S.
- That doesn't mean there can't be a market downturn –either because stock prices have gotten ahead of earnings or because of some geo-political risk, or for some other reason. However, in the absence of a recession, any market downturn should be short-lived and relatively mild (like not 30-40%).
- There is a big disagreement as to whether American stocks are overpriced or just fairly priced and as to whether Europe is cheap to invest in or not. The most detailed analyses I see though indicate that stocks are not outrageously priced.
- No one expects the Canadian market to be very strong for the foreseeable future.
- More and more analysts are warning that we should reduce our future earnings expectations. Until there is another major catalyst to boost productivity, we might only get 4-6% annual rates of return at best. This will make it harder to prepare for retirement, with lower than average returns. Thank goodness inflation is also lower than in much of the past

- Canadian debt continues to be too high. 35% of Canadians feel overwhelmed by their debt. In the past it was credit card debt that was breaking the camel's back. Now it is mortgage debt that is. 47% of Canadians are living paycheque to paycheque. Toronto Star Sept 7/17

So what does all this mean? We were right that Canadian markets wouldn't be good in 2017 and that U.S. markets would be. We did however miss the impact of the rising Canadian dollar which offset the profits of our foreign stocks. So really, you couldn't win investing inside or outside of Canada over the last 6 months. Going forward, we stay invested for the long-term in stocks, overweighting the U.S. and we remember that short-term returns mean little. We can expect a continuation of volatility in markets and our portfolios will have downturns along the way.

Now that Jordan can handle so much of the office without me, I am catching up on vacation that I didn't take in the couple of years after my previous assistant, Jaspreet, left. (She finished her studies and is happy working as an accountant now. Good for her!) So when you get this, I will be in Iceland, on my way back from Ireland. It will be getting a late start on the Sept 30th statements, so they will be a few days late. My apologies. No more vacation now for the next 6 months, so I hope to have meetings with lots of you in Nov and Dec.

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